

iBio, Inc.
Form 424B3
February 24, 2010

Filed Pursuant to Rule 424(b)(3)
File Number 333-162424

PROSPECTUS SUPPLEMENT NO. 2

**Prospectus Supplement No. 2
to Prospectus dated October 21, 2009**

IBIO, INC.

This Prospectus Supplement No. 2 supplements our Prospectus dated October 21, 2009, as supplemented by Prospectus Supplement No. 1 dated November 16, 2009. The shares that are the subject of the Prospectus have been registered to permit their resale to the public by the selling stockholders named in the Prospectus. We are not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering, except upon the exercise of warrants.

Our common stock is quoted on the OTC Bulletin under the symbol IBPM.OB. On February 19, 2010, the closing price of our common stock on the OTC Bulletin Board was \$0.90.

This Prospectus Supplement includes the following attached items:

- Quarterly Report on Form 10-Q for the three months ended December 31, 2009, as filed by us with the Commission on February 16, 2010.
- Current Report on Form 8-K dated February 16, 2010, as filed by us with the Commission on February 17, 2010; and
- Amendment No. 1 to Quarterly Report on Form 10-Q/A for the three months ended September 30, 2009, as filed by us with the Commission on February 17, 2010.

YOU SHOULD READ THE PROSPECTUS, AS SUPPLEMENTED, AND THIS PROSPECTUS SUPPLEMENT NO. 2, INCLUDING THE RISK FACTORS THAT BEGIN ON PAGE 2 OF THE PROSPECTUS.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is February 17, 2010.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2009

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-53125

iBio, Inc.

(Exact name of small business registrant in its charter)

Delaware

26-2797813

*(State or other jurisdiction of
incorporation or organization)*

*(I.R.S. Employer Identification
No.)*

**9 Innovation Way, Suite
100, Newark, DE**

19711

*(Address of principal executive
offices)*

(Zip Code)

(302) 355-0650

(Registrant's telephone number, including Area Code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No
The number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date:

<i>Class</i>	<i>Outstanding at February 12, 2010</i>
Common Stock, \$0.001 par value	28,272,655 Shares

iBio, Inc.
(Formerly iBioPharma, Inc.)
FORM 10-Q
For the Three and Six Month Periods Ended December 31, 2009

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Disclosure Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933 (the Securities Act), Section 21E of the Securities Act of 1934 (the Exchange Act), the Private Securities Litigation Reform Act of 1995 (the PSLRA) or in releases made by the Securities and Exchange Commission, all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of iBio, Inc. or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words, plan , believe , expect , anticipate , intend , estimate , project , may , will , would , could , should , seeks , or scheduled to , or other similar words, or the negative of these variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the safe harbor provisions of such laws.

iBio, Inc. (the Company) cautions investors that any forward-looking statements made by the Company are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to the Company, include, but are not limited to, the risks and uncertainties affecting its business described in Item 1 of the Company s Annual Report filed on Form 10-K for the year ended June 30, 2009 and in registration statements and other securities filings by the Company. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of its forward-looking statements, which are subject to change and inherent risks and uncertainties.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof and the Company does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

PART I FINANCIAL INFORMATION**Item 1 FINANCIAL STATEMENTS**

iBio, Inc.
(Formerly iBioPharma, Inc.)
Condensed Balance Sheets

	December 31, 2009 (Unaudited)	June 30, 2009 (Note 2)
Assets		
Current assets:		
Cash	\$ 3,001,016	\$ 1,039,244
Accounts receivable	15,245	209,795
Prepaid expenses and other current assets	1,044,116	16,569
Total current assets	4,060,377	1,265,608
Fixed assets, net	12,964	14,878
Intangible assets, net	3,838,649	3,649,878
Total assets	\$ 7,911,990	\$ 4,930,364
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,965,004	\$ 542,140
Derivative instrument liability (see Note 6)	740,819	-
Total liabilities	2,705,823	542,140
Commitments and contingencies		
Stockholders equity		
Preferred stock, no par value, 5,000,000 shares authorized, no shares outstanding	-	-
Common stock, \$0.001 par value, 50,000,000 shares authorized, 28,272,655 and 23,357,519 issued and outstanding as of December 31, 2009 and June 30, 2009, respectively	28,273	23,358
Additional paid-in capital	14,470,399	13,049,734
Accumulated deficit	(9,292,505)	(8,684,868)
Total stockholders equity	5,206,167	4,388,224

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Total liabilities and stockholders' equity	\$	7,911,990	\$	4,930,364
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The accompanying notes are an integral part of these
unaudited condensed financial statements

iBio, Inc.
(Formerly iBioPharma, Inc.)
Condensed Statements of Operations
(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
Sales	\$ -	\$ 379,132	\$ -	\$ 712,560
Cost of goods sold	-	195,051	-	330,699
Gross profit	-	184,081	-	381,861
Operating expenses:				
Research and development	254,172	319,100	358,384	631,200
General and administrative	502,783	436,492	970,990	871,790
Total operating expenses	756,955	755,592	1,329,374	1,502,990
Operating loss	(756,955)	(571,511)	(1,329,374)	(1,121,129)
Other income (expense):				
Interest income	5,919	7,526	8,017	14,880
Royalty income	3,824	-	12,954	-
Change in the fair value of derivative instrument liability (see Note 6)	441,141	-	(541,430)	-
Other income	450,884	7,526	(520,459)	14,880
Loss before income taxes	(306,071)	(563,985)	(1,849,833)	(1,106,249)
Income tax expense	600	338	1,200	1,378
Net loss	\$ (306,671)	\$ (564,323)	\$ (1,851,033)	\$ (1,107,627)
Net loss per common share - Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.07)	\$ (0.06)
Weighted average common shares outstanding - Basic and diluted	28,272,655	23,457,519	26,349,341	17,191,073

The accompanying notes are an integral part of these
unaudited condensed financial statements

iBio, Inc.
(Formerly iBioPharma, Inc.)
Condensed Statement of Stockholders Equity
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2009	-	\$ -	23,357,519	\$ 23,358	\$ 13,049,734	\$ (8,684,868)	\$ 4,388,224
Cumulative effect of a change in accounting principle - Adoption of ASC 815-40 (see Note 6)	-	-	-	-	(1,442,785)	1,243,396	(199,389)
Issuance of common stock and warrants for cash at \$0.65 per unit, net of expenses	-	-	4,615,385	4,615	2,792,859	-	2,797,474
Issuance of common stock in accordance with anti-dilution provisions of the August 2008 financing	-	-	299,751	300	(300)	-	-
Stock-based compensation expense	-	-	-	-	44,379	-	44,379
Issuance of warrants to consultants	-	-	-	-	26,512	-	26,512
Net loss	-	-	-	-	-	(1,851,033)	(1,851,033)
Balance, December 31, 2009	-	\$ -	28,272,655	\$ 28,273	\$ 14,470,399	\$ (9,292,505)	\$ 5,206,167

The accompanying notes are an integral part of these
unaudited condensed financial statements

iBio, Inc.
(Formerly iBioPharma, Inc.)
Condensed Statements of Cash Flows
(Unaudited)

	Six months ended December 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (1,851,033)	\$ (1,107,627)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in the fair value of derivative instrument liability (see Note 6)	541,430	-
Depreciation and amortization	161,542	134,239
Stock-based compensation	44,379	4,763
Issuance of warrants for services	26,512	-
Recognition of expense for research and development milestone liability	250,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	194,550	(221,787)
Increase in prepaid expenses and other current assets	(27,547)	(33,523)
Increase (decrease) in accounts payable and accrued expenses	172,864	(358,416)
Net cash used in operating activities	(487,303)	(1,582,351)
Cash flows from investing activities:		
Additions to intangible assets	(348,399)	(1,376,895)
Additions to fixed assets	-	(4,580)
Net cash used in investing activities	(348,399)	(1,381,475)
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants, net of expenses	2,797,474	4,580,302
Advances from former parent, net	-	82,083
Net cash provided by financing activities	2,797,474	4,662,385
Net increase in cash	1,961,772	1,698,559
Cash - Beginning of period	1,039,244	19,005
Cash - End of period	\$ 3,001,016	\$ 1,717,564

Supplemental disclosures of cash flow information:

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Cash paid for:			
Interest	\$	-	\$ -
Income taxes	\$	-	\$ 1,378
Supplemental disclosures of non-cash operating, investing, and financing activities:			
Recognition of prepaid research and development expense and related liability	\$	1,000,000	\$ -
Cumulative effect of a change in accounting principle - Adoption of ASC 815-40 (see Note 6)	\$	199,389	\$ -
Issuance of common stock in accordance with anti-dilution provisions of the August 2008 financing	\$	300	\$ -
Cancellation of common stock owned by former parent	\$	-	\$ 575,000
Issuance of common stock to stockholders of former parent	\$	-	\$ 19,845
Issuance of common stock upon conversion of intercompany debt due to former parent	\$	-	\$ 7,909,494

The accompanying notes are an integral part of these unaudited condensed financial statements

iBio, Inc.
(Formerly iBioPharma, Inc.)
Notes to Condensed Financial Statements
(Unaudited)

1) Business

iBio, Inc. (the Company) is a biotechnology company focused on developing vaccines and therapeutic proteins based upon its proprietary plant-based technology. The Company's near-term focus is to advance influenza vaccine candidates to clinical trials and to establish business arrangements for use of its technology by licensees for the development and production of products for the prevention and treatment of various infectious diseases. Vaccine candidates presently being advanced on the Company's proprietary platform are applicable to newly emerging strains of H1N1 swine-like influenza and H5N1 for avian influenza.

Prior to April 1, 2009, the Company also used plants as a source of novel, high quality nutritional supplements and sold those products to customers located primarily in the United States. Effective on that date, the Company licensed that technology and transferred all such customer relationships to a subsidiary of its former parent in consideration for a 5% royalty on future net sales.

Effective August 10, 2009, the Company changed its name from iBioPharma, Inc. to iBio, Inc.

2) Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. However, in the opinion of management, the accompanying unaudited financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of the Company as of December 31, 2009 and the related statements of operations and cash flows for the interim periods then ended. The balance sheet amounts as of June 30, 2009 were derived from audited financial statements. For further information, refer to the audited financial statements and related disclosures that were filed by the Company with the Securities and Exchange Commission on Form 10-K for the fiscal year ended June 30, 2009.

These financial statements were prepared under the assumption that the Company will continue as a going concern for the next twelve months. The Company's ability to do so is dependent upon its ability to obtain additional equity or debt financing, reduce expenditures, and/or generate revenue. These financial statements do not include any adjustments that might result from the outcome of that uncertainty.

Current cash and working capital resources are expected to support the Company's activities through the summer of 2010. The Company's plans to fund its development and commercialization activities during the balance of 2010 and beyond through licensing arrangements and/or the sale of equity securities.

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The Company cannot be certain that such funding will be available on acceptable terms, or available at all. To the extent that the Company raises additional funds by issuing equity securities, the Company's stockholders may experience significant dilution. If the Company is unable to raise funds when required or on acceptable terms, it may have to: a) Significantly delay, scale back, or discontinue the development and/or commercialization of one or more product candidates; b) Seek collaborators for product candidates at an earlier stage than would otherwise be desirable and/or on terms that are less favorable than might otherwise be available; or c) Relinquish or otherwise dispose of rights to technologies, product candidates, or products that we would otherwise seek to develop or commercialize ourselves.

Salaries and benefits totaling \$69,100 and \$131,200 have been reclassified from general and administrative to research and development expense in the unaudited condensed statements of operations for the three and six months ended December 31, 2008, respectively, in order to conform to the current period presentation.

3) Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The areas most significantly affected by estimates consist of:

- a) Valuation and recovery of intangible assets;
- b) Contingent liabilities;
- c) Stock-based compensation; and
- d) Valuation of derivative instruments.

The Company's accounting policies are described in Note 2 to the audited financial statements contained in our Annual Report on Form 10-K for the year ended June 30, 2009 and, with respect to the valuation of derivative instruments, in Note 6 to these financial statements.

Management reviews its estimates on a continual basis utilizing currently available information, changes in facts and circumstances, historical experience, and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

4) Earnings Per Share

Basic and diluted net loss per common share was determined by dividing the net loss by the weighted average common shares outstanding during the three and six months ended December 31, 2009 and 2008. Basic and diluted weighted average common shares outstanding were the same since the effect of including common shares issuable pursuant to the exercise of the stock options and warrants in diluted weighted average common shares outstanding would have been anti-dilutive.

The following table summarizes the number of common shares excluded from the calculation of weighted average common shares outstanding for the three and six months ended December 31, 2009 and 2008:

	Three months ended December 31,		Six months ended December 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Warrants	2,716,339	2,345,752	2,696,339	2,345,752
Stock options	1,460,000	-	1,460,000	-
Total	4,176,339	2,345,752	4,156,339	2,345,752

5) Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (Codification or ASC) as the single source of authoritative U.S. generally accepted accounting principles except for additional authoritative rules and interpretive releases issued by the SEC. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the Codification effective September 30, 2009 and such adoption did not have an impact upon the Company s financial statements.

Effective July 1, 2009, the Company adopted guidance in ASC 350-30, General Intangibles Other Than Goodwill . This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The adoption of this guidance did not have a material impact on our financial statements.

Effective July 1, 2009, the Company adopted guidance in ASC 815-40, Derivatives and Hedging - Contracts in Entity s Own Equity . This guidance was effective for fiscal years beginning after December 15, 2008 and the adoption by the Company effective July 1, 2009 had a material impact upon the Company s financial statements. The provisions of this guidance and details concerning its adoption are discussed in Note 6.

6) Derivative Financial Instruments

Introduction:

Effective July 1, 2009, generally accepted accounting principles required that the warrants issued by the Company in connection with the August 2008 financing to be considered derivative instruments and that the Company report an estimated fair value of such warrants as a liability as of each balance sheet date and the change in that liability as non-cash income or expense in the statement of operations for the related reporting period.

The Company uses the Black-Scholes option pricing model to estimate its derivative instrument liability which requires several assumptions, including the current price of the Company s common stock. This model is particularly sensitive to the assumed volatility in the price of the Company s common stock and the actual price of the Company s common stock as of each balance sheet date. Increases in the assumed volatility or the actual price of the Company s common stock has the effect of estimating a higher value for such warrants, which results in a larger estimated derivative liability on the balance sheet, which results in a larger non-cash expense being recorded in the statement of operations.

Thus, the accounting guidance applicable to these warrants requires the Company, (assuming all other inputs to the Black-Scholes model remain constant), to record a non-cash expense when the Company s stock price is rising and recording non-cash income when the Company s stock price is falling.

Detail Discussion:

Effective July 1, 2009, the Company adopted guidance in ASC 815-40, Derivatives and Hedging - Contracts in Entity's Own Equity. The applicable provisions of this guidance require that:

- a) Warrants issued by the Company in an August 2008 financing transaction containing downside ratchet provisions were previously accounted for as equity instruments in accordance with generally accepted accounting principles in effect through June 30, 2009. They must now be considered and accounted for as derivative instruments effective July 1, 2009 and the related estimated fair value reported as a liability as of each balance sheet date; and
- b) Such derivative instruments must be marked-to-market as of each balance sheet date and the change in the reported estimated fair value of such instruments be recorded as non-cash income or expense in the statement of operations.

In accordance with this guidance, the Company estimated the fair value of these instruments to be \$199,389 as of July 1, 2009 and established a derivative instrument liability in that amount by recording reductions of \$1,442,875 in additional paid-in capital and \$1,243,396 in accumulated deficit. The former represents the estimated derivative instrument liability on the date the warrants were originally issued and the latter represents the decrease in that liability between that date and July 1, 2009. The effect of this adjustment is presented as a cumulative effect of change in an accounting principle in the Company's condensed statement of stockholders' equity.

As of December 31, 2009, the estimated fair value of this derivative liability was \$740,819 and:

- a) The resulting decrease of \$441,141 during the three months ended December 31, 2009 was reported as non-cash income in our condensed statement of operations as a component of other income (expense), and
- b) The resulting increase of \$541,430 during the six months ended December 31, 2009 was reported as non-cash expense in our condensed statement of operations as a component of other income (expense).

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of these derivative instruments. The Company considers them to be Level 2 type instruments in accordance with ASC 820-10 Fair Value Measurements and Disclosures as the inputs used to estimate their value are observable either directly or indirectly. The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the remaining contractual term of the instruments. The expected volatility assumptions were based upon the historical volatility of the stock of comparable companies. The expected dividend yield was assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The expected term assumptions were based upon the remaining contractual term of these instruments.

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The assumptions made in calculating the fair value of these derivative instruments as of July 1, September 30, and December 31, 2009 were as follows:

Risk free interest rate	2.3, 2.0, and 1.9%
Dividend yield	Zero
Volatility	80%
Expected term	4.2, 3.9, and 3.7 years

7) Financing Transaction

On September 10, 2009, the Company issued 4,615,385 shares of common stock at \$0.65 per share and received net proceeds of \$2,807,051 and issued warrants to the placement agent for the purchase of 250,587 shares of common stock at a price of \$0.65 per share. The warrants were 100% vested upon issuance and expire on September 10, 2014. The Company estimated the fair value of the warrants, attributed proceeds of \$92,637 to them, and recorded that amount as an addition to paid-in capital.

Additionally, in connection with the September 2009 financing, the Company:

- a) Issued 299,751 shares of common stock to the investors in the August 2008 financing in accordance with the anti-dilution provisions of that offering. The Company accounted for the issuances of those shares as a reduction of additional paid-in capital and an increase in common stock at the aggregate par value of \$300; and
- b) Adjusted the warrant agreements with the investors in the August 2008 financing to provide for the purchase of an additional 369,472 shares of common stock and adjusted the exercise prices as follows:
 - i) Warrants for the purchase of 1,172,876 at \$3.20 per common share were revised to provide for the purchase of 1,350,073 at \$2.78 per common share; and
 - ii) Warrants for the purchase of 1,172,876 at \$4.26 per common share were revised to provide for the purchase of 1,365,151 at \$3.66 per common share.

The accounting for the adjustment to these warrants is described in Note 6.

8) Share Based Payments

The Company measures the cost of services received in exchange for the award of equity instruments based upon the fair value of the award on the date of grant. The fair value of that award is then recognized as expense over the period during which the recipient is required to provide services in exchange for that award.

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of such instruments. For instruments issued during the six month period ended December 31, 2009, the

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risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected volatility assumption was based upon the historical volatility of the stock of comparable companies. The expected dividend yield was assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The expected term assumption was determined utilizing the simplified method provided in Staff Accounting Bulletin No. 107, *Share-Based Payment*, which averages an award's vesting period with its contractual term.

Assumptions made in calculating the fair value of options and warrants issued during the three and six months ended December 31, 2009 and 2008 were as follows:

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	2009	2008
Risk free interest rate	0.3%	3.1%	1.9%	2.3 to 3.4%
Dividend yield	Zero	Zero	Zero	Zero
Volatility	80%	80%	80%	80%
Expected term	2.0 years	5.0 years	3.9 years	5.0 to 6.5 years

On July 13, 2009, the Company issued warrants to a third party for the purchase of 100,000 shares of common stock at a price of \$0.35 per share in connection with a professional service agreement. The warrants were 100% vested upon issuance and expire on July 13, 2014. The Company estimated the fair value of the warrants to be \$25,600 and accounted for them as an expense within general and administrative expenses on the date of issuance with a corresponding increase to additional paid-in capital.

On August 10, 2009, the Company granted options to members of management for the purchase of 500,000 shares of common stock at a price of \$0.66 per share. The options vest ratably on the first through fifth anniversary dates of the grant and expire on August 10, 2019. The Company estimated the fair value of the options on the grant date to be \$216,000 and is recording such expense ratably over the vesting period within general and administrative expenses.

On August 10, 2009, the Company granted options to members of the Board of Directors for the purchase of 180,000 shares of common stock at a price of \$0.66 per share. The options vest ratably on the first, second, and third anniversary dates of the grant and expire on August 10, 2019. The Company estimated the fair value of the options on the grant date to be \$77,760 and is recording such expense ratably over the vesting period within general and administrative expenses.

In connection with the financing transaction on September 10, 2009, the Company issued warrants to the placement agent for the purchase of 250,587 shares of common stock at a price of \$0.65 per share and adjusted the warrant agreements issued to the investors in the August 2008 financing to provide for the purchase of an additional 369,472 shares of common stock. See Note 7 for a detailed discussion of such issuances and adjustments.

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On November 15, 2009, the Company issued warrants to a third party for the purchase of 20,000 shares of common stock at a price of \$1.00 per share in connection with a professional service agreement. The warrants vest in equal amounts on the six and twelve months anniversaries after the date of issuance and expire on November 15, 2011. The Company estimated the fair value of the warrants to be \$8,660 on the date of issuance and recorded \$912 as expense within general and administrative expenses during the three months ended December 31, 2009 with a corresponding increase to additional paid-in capital.

A summary of the changes in options outstanding during the six month period ended December 31, 2009 is as follows:

	Number of Shares	Exercise Price Per Share	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2009	780,000	\$0.20-\$0.31	\$ 0.21	9.6	\$ 184,000
Granted	680,000	\$0.66	\$ 0.66	10.0	353,600
Exercised	-	-	-	-	-
Terminated	-	-	-	-	-
Outstanding and expected to vest at December 31, 2009	1,460,000	\$0.20-\$0.66	\$ 0.42	9.4	\$ 698,200
Options exercisable at December 31, 2009	-	-	-	-	-

The weighted average fair value of options granted during the six months ended December 31, 2009 was \$0.43.

A summary of the changes in warrants outstanding during the six months ended December 31, 2009 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding at June 30, 2009	2,345,752	\$ 3.73
Granted	740,059	1.91
Exercised	-	-
Terminated	-	-
Outstanding at December 31, 2009	3,085,811	\$ 2.91